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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

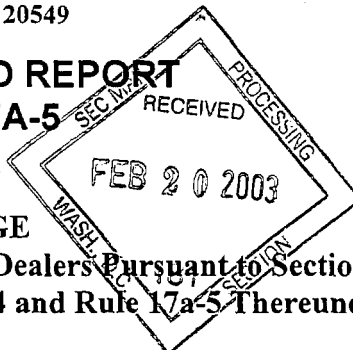
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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III



FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2002 AND ENDING 12/31/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:
Boenning & Scattergood Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

4 Tower Bridge 200 Barr Harbor Drive Suite 300
(No. and Street)

West Conshohocken PA 19428-2979
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Edna M. Cern 610-832-5240
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Sanville & Company
(Name - if individual, state last, first, middle name)

1514 Old York Road Abington PA 19001
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 04 2003

FOR OFFICIAL USE ONLY

THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

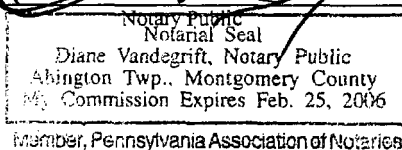
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OATH OR AFFIRMATION

I, Edna M. Cern, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Boenning & Scattergood Inc., as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Edna M. Cern
Signature

Principal Financial Officer
Title


Notary Public
Notarial Seal
Diane Vandegrift, Notary Public
Arlington Twp., Montgomery County
My Commission Expires Feb. 25, 2006
Member, Pennsylvania Association of Notaries

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- N/A ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- N/A* ☐ (m) A copy of the SIPC Supplemental Report.
- N/A ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Accounting Control.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

* Minimum Assessment in effect.

BOENNING & SCATTERGOOD INC.
Financial Statements
and
Supplemental Schedules Pursuant
to SEC Rule 17a-5

December 31, 2002

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ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA

Sanville & Company
CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and
Board of Directors
Boenning & Scattergood Inc.

We have audited the accompanying statement of financial condition of Boenning & Scattergood Inc. (the "Company") as of December 31, 2002, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boenning & Scattergood Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abington, Pennsylvania
February 4, 2003

Sanville & Company
Certified Public Accountants

BOENNING & SCATTERGOOD INC.
Statement of Financial Condition
December 31, 2002

ASSETS

Cash and cash equivalents	\$ 1,956,227
Deposit with clearing broker (Note 5)	50,000
Receivables:	
Clearing broker (Note 5)	1,833,174
Good faith deposits for municipal underwritings	671,150
Other	226,241
Securities owned, at value (Note 3)	3,547,462
Investment in investment advisor, at cost (Note 8)	655,000
Cash surrender value of life insurance	1,072,322
Furniture and equipment, net (Note 4)	558,006
Deferred tax asset (Note 11)	413,389
Deposits, prepaids and other	<u>631,075</u>
Total assets	\$ <u>11,614,046</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Securities sold, not yet purchased (Note 3)	\$ 609,827
Accounts payable and accrued expenses	4,415,552
Income taxes payable	56,898
Bank term loan (Note 12)	<u>87,307</u>
Total liabilities	<u>5,169,584</u>
Commitments and contingent liabilities	
Stockholders' Equity:	
Common stock	250
Additional paid-in capital	1,904,329
Retained earnings	<u>4,539,883</u>
Total stockholders' equity	<u>6,444,462</u>
Total liabilities and stockholders' equity	\$ <u>11,614,046</u>

The accompanying notes are an integral part of these financial statements.

BOENNING & SCATTERGOOD INC.
Statement of Income
For the Year Ended December 31, 2002

REVENUE

Commissions - exchange transactions	\$ 1,035,435
Commissions - options	338,592
Commissions - over-the-counter and other	12,209,079
Underwriting and investment banking	2,717,538
Net inventory and investment gain	8,337,314
Dividends and interest	279,813
Other	978,224
	<hr/>
Total revenue	25,895,995

EXPENSES

Sales compensation and benefits	13,665,665
Other compensation and benefits	4,728,335
Clearance and execution charges	1,601,272
Communications and market data	1,391,699
Occupancy and equipment rental	971,755
Miscellaneous	108,341
Promotional costs	493,087
Professional fees	359,330
General office	445,012
Insurance	141,700
Interest	57,766
Regulatory fees and expenses	85,018
Taxes, other than income	12,250
Error expense	44,946
	<hr/>
Total expenses	24,106,176
	<hr/>
Income before income taxes	1,789,819
	<hr/>
Provision for income taxes (Note 11)	855,913
	<hr/>
Net income	\$ 933,906

The accompanying notes are an integral part of these financial statements.

BOENNING & SCATTERGOOD INC.
Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2002

	Common Stock		Additional Paid-In Capital		Retained Earnings	Treasury Stock		Total Stockholders' Equity
	Shares (1)	Amount				Shares	Amount	
Balances at January 1, 2002	3,733	\$ 233	\$ 1,505,277	\$ 3,605,977	10	\$ (12,761)	\$ 5,098,726	
Net income for the year	-	-	-	933,906	-	-	933,906	
Treasury stock reissued	-	-	1,689	-	(10)	12,761	14,450	
Common stock issued	275	17	397,363	-	-	-	397,380	
Balances at December 31, 2002	4,008	\$ 250	\$ 1,904,329	\$ 4,539,883	-	\$ -	\$ 6,444,462	

(1) Common Stock - \$0.0625 par value, authorized 50,000 shares; issued and outstanding 3,733 shares. The company has issued 275 shares of no par value stock. The Company has elected to treat such shares with an assumed par value of \$0.0625 per share. The total shares issued and outstanding are 4,008.

The accompanying notes are an integral part of these financial statements.

BOENNING & SCATTERGOOD INC.
Statement of Changes in Subordinated Borrowings
December 31, 2002

Subordinated borrowings at January 1, 2002	\$ -
Increases:	-
Decreases:	<u>-</u>
Subordinated borrowings at December 31, 2002	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

December 31, 2002

Income taxes	\$ 900,000
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BOENNING & SCATTERGOOD INC.

Notes to Financial Statements

December 31, 2002

1. ORGANIZATION

Boenning & Scattergood Inc. ("The Company") is a registered broker dealer with the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers ("NASD"). The Company is also registered as an investment advisor with the Commonwealth of Pennsylvania and is incorporated under the laws of the Commonwealth of Pennsylvania. The Company, like other broker dealers and investment advisors, is directly affected by general economics and market conditions, including fluctuations in volume and price level of securities, changes in interest rates and securities brokerage services, all of which have an impact on the Company's liquidity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue - Securities transactions (and related commission revenue and expense, if applicable) are recorded on a trade date basis.

Fair Value of Securities - Securities owned and sold, but not yet purchased, are valued at market value and the resulting difference between cost and market is included in income.

The market value of securities owned, consisting of equities, corporate obligations, United States government obligations, and state and municipal obligations, is determined by the Company utilizing quoted market prices, dealer quotes and prices obtained from independent third parties. Other securities with no ready market are valued at fair value as determined by management.

Substantially all of the Company's financial assets and liabilities are carried at market value or at amounts which because of short-term nature of the financial instruments, approximate current fair value.

Investment banking fees - Fees for investment banking services are recorded when the transaction has been completed. Expenses are recorded as incurred. Fees for investment banking services also include fees earned from providing merger and acquisition and financial restructuring advisory services. These fees are recorded when earned.

Concentration of Credit Risks - The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk related to cash.

Depreciation - Fixed asset purchases are classified as five or seven-year property for depreciation purposes. They are depreciated under accelerated methods.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

BOENNING & SCATTERGOOD INC.
Notes to Financial Statements (Continued)
December 31, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The Company includes as cash and cash equivalents amounts invested in money market mutual funds.

Income taxes - The Company provides for amounts of current and deferred taxes payable or refundable as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax assets or liabilities between years.

3. SECURITIES OWNED AND SECURITIES SOLD BUT NOT YET PURCHASED

Securities owned and securities sold but not yet purchased consist of the following:

	Securities Owned	Securities Sold Not Yet Purchased
State and municipal obligations	\$ 2,812,419	\$ 5,054
Obligations of US Government	64,707	436,248
Corporate stocks	264,447	143,275
Corporate obligations	405,890	25,250
	<u>\$ 3,547,462</u>	<u>\$ 609,827</u>

4. FURNITURE & EQUIPMENT, CAPITAL LEASES AND OPERATING LEASES

Furniture and equipment is summarized as follows:

Furniture, fixtures, equipment and leasehold improvements	\$ 1,394,484
Less accumulated depreciation and amortization	<u>836,478</u>
	<u>\$ 558,006</u>

Depreciation and amortization expense totalled \$215,401 for the year ended December 31, 2002.

The Company leases office space and equipment for its main offices and sales offices under various operating lease agreements expiring in years 2003 through 2012. The Company also has licenses for market data information that expire in 2003 and 2004.

BOENNING & SCATTERGOOD INC.
Notes to Financial Statements (Continued)
December 31, 2002

4. FURNITURE & EQUIPMENT, CAPITAL LEASES AND OPERATING LEASES (Continued)

Equipment lease expense, including market data licenses, and the annual aggregate office rental for the year ended December 31, 2002 was \$251,920 and \$604,541, respectively.

The following is a schedule by years of future minimum lease payments under operating leases:

Year		Offices		Equipment and Market Data
2003	\$	593,637	\$	279,287
2004		673,970		159,021
2005		656,487		19,806
2006		657,522		11,124
2007		658,554		-
Thereafter		929,040		-

5. DEPOSIT WITH AND RECEIVABLE FROM CLEARING BROKER

The Company maintains a clearing agreement with First Clearing. Under the agreement the Company maintains a clearing deposit of \$50,000. The Company carries its equity, corporate debt, US government and municipal inventory with First Clearing. First Clearing will finance the Company's inventory under normal margin terms. The Company pays interest on any amount payable to First Clearing at brokers' call rate, which was 3% at December 31, 2002. The Company also receives interest at brokers' call rate for any funds on deposit for the inventory balances.

6. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS

The Company will operate in accordance with the exemptive provisions of paragraph (K)(2)(ii) of SEC Rule 15c3-3. All customer transactions are cleared through First Clearing.

7. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

In the normal course of business, the Company is a party to financial instruments with off balance sheet risk. These financial instruments include outstanding delayed delivery, underwriting, futures commitments and options contracts that involve elements of risks in excess of the amounts recognized in the statement of financial condition. These contracts are entered into as part of the Company's market risk management, trading and financing activities. These contracts are valued at market, and unrealized gains and losses are reflected in the financial statements. As of December 31, 2002, the Company held no derivative financial instruments used for hedging purposes.

BOENNING & SCATTERGOOD INC.
Notes to Financial Statements (Continued)
December 31, 2002

8. INVESTMENT IN INVESTMENT ADVISOR

During 2001 the Company invested \$505,000 in Tower Bridge Advisors, Inc. ("TBA"), a start-up investment advisor. In 2002 the Company invested an additional \$150,000 in TBA. The Company owns a minority interest and it cannot exert any financial control over TBA. TBA continues to grow at a rate that is commensurate with its business plan, thus the investment continues to be recorded at cost. The Company's management believes there has been no impairment to this valuation.

9. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business the Company enters into underwriting commitments. There were no transactions open at December 31, 2002 relating to such underwriting commitments.

In 2001, the Company was named a defendant in a lawsuit incidental to its securities business. The lawsuit relates to a prior equity underwriting undertaken by the Company. During 2002, motions to dismiss the complaint were filed and granted as it pertains to the Company. While the Company has been dismissed from the lawsuit, the Company could be brought back into the lawsuit if the case continues, the dismissal of the Company is appealed and the higher court decides that the Company should not have been dismissed. Management believes that any outcome will not have a material adverse effect on the financial position of the company.

10. NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of the SEC, the Company is required to maintain net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2002 the Company had net capital and capital requirements of \$3,694,500 and \$303,984 (minimum), respectively. The Company's net capital ratio was 1.23 to 1.

11. INCOME TAXES

The Company recognizes deferred income tax assets relating to the future tax benefits of the Company's nonqualified deferred compensation plan. The Company does not recognize any valuation allowance on these deferred tax items.

		Deferred Tax Asset
Federal	\$	311,654
State		101,735
	\$	<u>413,389</u>

BOENNING & SCATTERGOOD INC.
Notes to Financial Statements (Continued)
December 31, 2002

11. INCOME TAXES (Continued)

The current and deferred portions of the income tax expense (benefit) included in the statement of operations are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ 710,155	\$ (55,070)	\$ 655,085
State	218,805	(17,977)	200,828
	<u>\$ 928,960</u>	<u>\$ (73,047)</u>	<u>\$ 855,913</u>

12. TERM LOAN

The Company has a term loan with a commercial bank used to finance the purchase of furniture and equipment for its main office. The loan is secured by the furniture and equipment. The loan requires monthly payments of \$6,990 including interest at an annual rate of 7.25%. The amount due at December 31, 2002 was \$87,307.

In the computation of net capital, the fixed assets that secure the term loan are an allowable asset to the extent of the outstanding loan balance per SEC Rule 15c3-1(c)(1)(VIII). The future payments are:

<u>Year</u>	<u>Amount</u>
2003	\$ 91,091
Less amounts representing interest	<u>(3,784)</u>
	<u>\$ 87,307</u>

13. REVOLVING LINE OF CREDIT

The Company has obtained a \$750,000 revolving line of credit with a commercial bank. The borrowings from the revolving line of credit may only be used to fund good faith deposits on municipal bond issue bids. The line of credit bears interest at an annual rate of the bank's prime rate plus .50%. There were no borrowings on the revolving line of credit during the year ended December 31, 2002. The Company is required to maintain a deposit relationship with the bank.

BOENNING & SCATTERGOOD INC.
Notes to Financial Statements (Continued)
December 31, 2002

14. 401(K) SAVINGS AND PROFIT SHARING PLAN

Employees of the Company may participate in a 401(K) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. The Company contributed \$415,000 to the profit sharing component of the plan for the year ended December 31, 2002.

15. SUBSEQUENT EVENT

Effective January 21, 2003, the Company acquired F.J. Morrissey & Company ("FJM"), a specialty trading firm that maintains trading markets in more than 200 bank, thrift and other financial services companies' stocks. The integration of FJM into the Company will strengthen the Company's ability to serve an expanded customer base through FJM's market making capabilities.

The Company has purchased certain of FJM's operating assets, including all databases, relationships, records and documents, customer lists and files, and computer equipment, the exclusive right to use the name "Morrissey", and FJM's NASDAQ symbol. The purchase price for FJM was \$500,000 of which \$200,000 was paid at closing and the balance of \$300,000 will be paid in four quarterly installments of \$75,000 commencing April 2004 and ending January, 2005. The unpaid balance will accrue interest at the annual rate of 3%. Additionally, key personnel of FJM signed confidentiality and non-compete agreements.

BOENNING & SCATTERGOOD INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2002

COMPUTATION OF NET CAPITAL

Total stockholders' equity	\$ 6,444,462
Deduct stockholders' equity not allowable for Net Capital:	<u>-</u>
Total stockholders' equity qualified for Net Capital	<u>6,444,462</u>
Deductions and/or charges:	
Non-allowable assets:	
Furniture and equipment	475,573
Due from clearing broker	1,262
Other receivables	189,142
Investment in investment advisor	655,000
Deposits, prepaids and other	631,075
Deferred income tax asset	413,389
Other non-allowable assets	<u>1,500</u>
Total non-allowable assets	<u>2,366,941</u>
Net Capital before haircuts on securities positions	4,077,521
Trading and investment securities:	
Exempted securities	119,525
Debt securities	111,047
Other securities	117,613
Other (money market)	<u>34,836</u>
Net Capital	<u>\$ 3,694,500</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness liabilities from Statement of Financial Condition

Accounts payable and accrued expenses	\$ 4,415,552
Income taxes payable	56,898
Bank term loan	<u>87,307</u>
Total aggregate indebtedness	<u>\$ 4,559,757</u>
Percentage of aggregate indebtedness to Net Capital	123%
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	0%

BOENNING & SCATTERGOOD INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2002

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum Net Capital (6 2/3% of \$4,559,757)	\$	303,984
Minimum dollar Net Capital requirement of reporting broker or dealer	\$	250,000
Net Capital requirement	\$	303,984
Excess Net Capital	\$	3,390,516
Excess Net Capital at 1000%	\$	3,238,524

RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORT

Computation of Net Capital Under Rule 15c3-1

No material difference exists between the broker's most recent, unaudited, Part IIA filing and the Annual Audit Report.

BOENNING & SCATTERGOOD INC.
Computation For Determination of the
Reserve Requirements Under Rule 15c3-3
of the Securities and Exchange Commission
December 31, 2002

The Company is exempt from the provisions of Rule 15c3-3 in accordance with Section (k) (2) (ii).

RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORT

Computation for Determination of Reserve Requirements Under
Exhibit A of Rule 15c3-3

No material difference exists between the broker's most recent, unaudited, Part IIA filing and the Annual Audit Report.

ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA

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CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Boenning & Scattergood Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Boenning & Scattergood Inc. ("the Company") for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons.
- 2) Recordation of differences required by Rule 17a-13.
- 3) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

February 4, 2003

Page 2

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including procedures for safeguarding securities, which we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the NASD and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Abington, Pennsylvania
February 4, 2003


Certified Public Accountants